

# PUBLIC DISCLOSURE

March 17, 1997

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Savings Bank and Trust Company  
043947300000  
101 West Market  
Orrville, Ohio 44667

Supervisory Agency: Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, Ohio 44101-1387

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.



## **GENERAL INFORMATION**

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of The Savings Bank and Trust Company prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of March 17, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

**INSTITUTION'S CRA RATING:** This institution is rated "Satisfactory."

Several factors support The Savings Bank and Trust Company ("SBT") satisfactory rating. First, the bank maintains a reasonable loan-to-deposit ratio. Second, the bank has made a majority number of its loans within its assessment area. Third, based on an analysis of the bank's loans, the bank lends to borrowers of many different income levels and small businesses. Finally, the geographic distribution of the bank's loans is reasonable.

The following table indicates the performance level of The Savings Bank and Trust Company, Orrville, Ohio, with respect to each of the five performance criteria:

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>The Savings Bank and Trust Company Orrville, Ohio PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		x	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		x	
Response to Complaints		No complaints were received since the prior evaluation.	

## **DESCRIPTION OF INSTITUTION**

Based on its size and financial condition, the bank effectively meets the credit needs of the assessment area. The bank operates full-service offices in Orrville, and Massillion, Ohio. The bank also operates paying and receiving branches at Orrville, Dalton, and Marshallville, Ohio. In addition, the bank has four automated teller machines ("ATM") in Orrville and Dalton, Ohio. All the bank's ATMs have 24-hour access. The bank received an outstanding rating at its last CRA evaluation.

According to the December 31, 1996, Report of Condition ("ROC"), the bank had total assets of approximately \$128.7 million. Since September 30, 1994, the bank's loans and deposits have increased by approximately \$17.6 million and \$19.1 million respectively. In addition, the bank's total assets increased by approximately \$22 million. The bank's average net loan-to-deposit ratio since September 1994 is about 77%. Its loan-to-deposit ratio as of December 31, 1996, has increased slightly since the last CRA evaluation. The bank's loan portfolio is comprised of approximately 15% consumer real estate, 38% consumer, 11% agriculture, and 32% commercial loans. The composition of the bank's loan portfolio reflects the level of demand for specific types of loans by members of the assessment area.

The bank offers a variety of loan products to fulfill the credit needs of residents and businesses within its assessment area. It extends consumer open- and closed-end, residential real estate, mobile home, agricultural, and commercial loans. In addition, to offering these conventional loan products, the bank participates in Small Business Administration and Rural Development Services government loan programs.

## **DESCRIPTION OF THE SAVINGS BANK AND TRUST COMPANY ASSESSMENT AREA**

The bank's assessment area is defined as Wayne County, the southeast portion of Medina County, and the western portion of Stark County, Ohio. Wayne County is composed of block numbering areas ("BNA") 0001 through 0025 and 0029 through 0035. The assessment area further includes the Stark and Medina metropolitan statistical areas ("MSA"), comprised of Stark and Medina counties. The Orrville, Dalton, and Marshallville offices are located in Wayne County, while the bank's remaining office (Massillon) is in Stark County. Wayne County BNAs include no low-income, 1 moderate-income (0017), 23 middle-income (0001, 0003-0006, 0009, 0012-0014, 0016, 0018-0024, 0029, 0031-0035), and 8 upper-income (0002, 0007, 0008, 0010, 0011, 0015, 0025, and 0030) areas.

The two MSAs are rural and most of the census tracts are located near Massillon. The Stark MSA includes no low-income census tracts, 4 moderate-income (7137, 7141, 7142, 7143.01), 10 middle-income (7112, 7135, 7136, 7138, 7139, 7140, 7143.02, 7144, 7147.01, 7147.02), and 1 upper-income (7114) census tract. The Medina MSA includes no low- or moderate-income census tracts, 3 middle-income (4170, 4172, and 4173), and 1 upper-income census tract (4171) in the bank's assessment area.

According to 1990 census data, the population for the assessment area is 190,753. Of these assessment area residents, 89,292 individuals reside in the two MSAs, while the remaining 101,461 reside in the BNA tracts. The population of Orrville and Massillon is 7,712 and 31,007, respectively.

CRA divides income levels into four categories: low, middle, and upper income. Because the bank's assessment area is not located in a metropolitan statistical area, the categorization of a borrower or BNA's income is determined relative to the

statewide nonmetropolitan median family income. Pursuant to CRA's definitions, low-income individuals have incomes of less than 50% of the statewide nonmetropolitan median family income, while moderate-income borrowers have incomes of at least 50% but less than 80% of this amount. The regulation defines a middle-income borrower as one with an income of at least 80% but less than 120% of the statewide nonmetropolitan family income. A borrower with an income that is at least 120% or more of the statewide nonmetropolitan family income is considered upper income. BNAs and census tracts are classified using similar categories based on the level of median family income in the geography.

As of the 1990 census, the median family income for Stark and Medina MSAs are \$32,485 and \$36,500, respectively, compared with the assessment area's median family income of \$33,489. According to 1990 census data, the statewide nonmetropolitan median family income in Ohio is \$30,563. There are 52,268 families and 69,050 households in the assessment area. Based on 1990 census data, the median household income for the assessment area is \$29,411, compared with Stark and Medina MSAs median household incomes \$27,685 and \$30,351, respectively. Ohio's nonmetropolitan median household income is \$25,910. Approximately 8% of the families and 10% of the households in the assessment area have incomes below the poverty level.

The chart below shows the assessment area's population distribution by tract income level.

#### **POPULATION DISTRIBUTION BY CENSUS TRACT OR BNA INCOME LEVEL**

	<u>Population</u>	<u>Percentage</u>
Low income	0	0
Moderate Income	17,991	9
Middle Income	134,527	71
Upper Income	38,235	20

The distribution of household and family income for the assessment area is summarized in the following table:

#### **ASSESSMENT AREA POPULATION BY INCOME LEVEL**

<u>Unit of Measure</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>Upper Income</u>
Percentage of Households Compared to Median Household	20	15	21	44

## Income

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Percentage of Families Compared to Median Family Income	15	18	26	41
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Examiners contacted two government and one trade association officials as part of the bank's CRA evaluation. Information from these contacts was used to evaluate the bank's CRA performance.

According to community contacts and bank management, the economy in the bank's assessment area is experiencing strong and steady economic growth. The local economy continues to rely on agriculture (dairy and crops), transportation, and manufacturing industries.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs in its assessment area is considered satisfactory. The following criteria was analyzed to determine this rating.

### Loan-to-Deposit Ratio Analysis

The bank's loan-to-deposit ratio is reasonable and, as such, meets the standards for satisfactory performance. The quarterly average of the bank's net loan-to-deposit ratio is approximately 75% since the previous evaluation. The following chart, based on quarterly ROC data, shows that the bank's ratio has ranged from 72% to 80% since the previous CRA evaluation. The loan-to-deposit fluctuations are primarily caused by SBT opening a new branch office in Massillion, Ohio, on July 11, 1995, and to a lesser extent seasonal borrowings (loan volume increases) and loan paydowns (loan volume decreases). The bank's net loan-to-deposit ratio increased by approximately 3% since the last CRA evaluation.

<u>Date</u>	<u>Net Loans (In thousands)</u>	<u>Deposits (In thousands)</u>	<u>Loan-to-Deposit Ratio</u>
September 30, 1994	\$67,041	\$ 92,083	73%
December 31, 1994	\$68,444	\$ 90,976	75%
March 31, 1995	\$69,728	\$ 91,536	76%
June 30, 1995	\$70,779	\$ 98,820	72%
September 30, 1995	\$74,965	\$ 95,128	79%
December 31, 1995	\$75,649	\$100,554	75%
March 31, 1996	\$76,077	\$100,007	76%
June 30, 1996	\$80,461	\$107,998	75%
September 30, 1996	\$83,487	\$103,802	80%

December 31, 1996	\$84,727	\$111,174	76%
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As listed in the December 31, 1996, Uniform Bank Performance Report, the bank's loan-to-deposit ratio was 76%, which places the bank in the 63rd percentile in relation to its peer group. SBT faces stiff competition from other financial institutions in its assessment area. Approximately 54 financial institutions within Wayne County and approximately 120 financial institutions in Stark County compete for consumer loans and deposits. Based on loan demand, the lack of any identified unmet credit needs, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

#### COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

A review of a statistical sample of the loans originated by the bank since the last CRA evaluation reveals that a majority of its loans were made inside its assessment area. The following table shows the percentages for number and dollar volume of major loan product lines that were inside the assessment area.

#### **PERCENTAGE OF LOANS IN THE ASSESSMENT AREA**

<b><u>Major Loan Product Lines</u></b>	<b><u>Total Number of Loans</u></b>	<b><u>Total Dollar Amount of Loans</u></b>
Consumer	75	71
Residential	93	93
Small Business	99	96
Small Farm	100	100

This level of concentration in the assessment area exceeds standards for satisfactory performance. As discussed previously, small farm, small business, and residential loans comprise 58% of the bank's loan portfolio and almost all of these types of loans are in the assessment area. In addition, as noted in the table, the majority of all the bank's loans are within the assessment area.

#### LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's record of lending to borrowers of different income levels is good and, as such, meets the standards for satisfactory performance. The bank provides consumer and consumer real estate loans to individuals of all different income categories, as shown in the following chart.

#### **DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL\***

<b><u>Loan Type</u></b>	<b><u>Low Income</u></b>	<b><u>Moderate Income</u></b>	<b><u>Middle Income</u></b>	<b><u>Upper Income</u></b>
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#### CONSUMER

Total Number of Loans	14%	19%	30%	37%
Total Amount of Loans	8%	15%	34%	44%

#### CONSUMER REAL ESTATE

Total Number of Loans	2%	13%	30%	55%
Total Amount of Loans	1%	9%	25%	65%

\*Income level based on Ohio's 1996 nonmetropolitan median family income of \$37,000 and the Stark and Medina MSAs median family income of \$39,700 and \$44,600, respectively.

The data in the table indicate that the bank originated 33% of its consumer loans to low- and moderate-income individuals. Consumer loans comprise approximately 38% of the bank's total loan portfolio. This level of consumer lending seems reasonable. As previously discussed under the Description of Institution section, approximately 35% of the assessment area's households have low- and moderate-incomes. The bank's consumer lending to low- and moderate-income individuals is appropriate. The remaining consumer loans are divided between middle- and upper-income categories.

Most of the bank's commercial and agricultural borrowers are small businesses. In fact, all of small farm and 99% of small farm business loans sampled went to borrowers with gross annual revenues of \$1 million or less. The size and volume of the loans appear reasonable. Based on the CRA sample, 94% of the small farm loans had amounts less than or equal to \$100,000. Small business loans with amounts less than or equal to \$100,000 equaled 91%; 8% of these loans had amounts between \$100,000 and \$250,000. The bank's emphasis on small business lending, which represents 43% of the bank's loan portfolio, together with consumer loans to low- and moderate-income borrowers, demonstrates a commitment to meeting the credit needs of all segments of the community and meets the standards for satisfactory performance.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans between geographies of different income levels in its assessment area is reasonable. As previously discussed, the bank's assessment area includes five moderate-income tracts, 36 middle-income, and 10 upper-income tracts and BNAs. Approximately 12% of the population reside in the moderate-income tract, and the remaining 88% reside in the middle-income tract. As the following chart indicates, the bank's lending patterns mirror this distribution.

#### **DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BNA OR CENSUS TRACT INCOME LEVEL**

<u>Loan Type</u>	<u>Moderate- Income</u>	<u>Middle- Income</u>	<u>Upper- Income</u>
CONSUMER			
Total Number of Loans	4%	70%	27%

Total Amount of Loans	4%	69%	27%
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#### CONSUMER REAL ESTATE

Total Number of Loans	0%	71%	29%
Total Amount of Loans	0%	72%	28%

#### SMALL BUSINESS

Total Number of Loans	1%	66%	33%
Total Amount of Loans	0%	78%	22%

#### SMALL FARM

Total Number of Loans	0%	76%	24%
Total Amount of Loans	0%	86%	14%

As shown above, the percentages of consumer, consumer real estate, and small business, and small farm in the moderate-income tract closely approximates the percentage of assessment area residents living in this tract. The number and dollar volume of consumer, consumer real estate, and small business loans closely approximate the population percentages for the BNAs. SBT only recently entered the Massillion area which makes up the majority of the moderate-income tracts. As such, the bank's geographic distribution of loans is reasonable and, thus, meets the standards for satisfactory performance.

#### General Comments

The evaluation did not reveal any practices that are inconsistent with the substantive provisions of the fair lending and fair housing laws and regulations. In addition, the bank has not received any CRA complaints since the previous evaluation.

